

CERTIFIED

Person to Contact: [REDACTED]  
Telephone Number: [REDACTED]  
Refer Reply to:  
Internal Revenue Service  
[REDACTED]

Date: JUN 24 1991

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(4) of the Internal Revenue Code.

You were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

Your purpose as stated in your organizing document is to provide maintenance for [REDACTED] Subdivision.

The activities carried on by your organization are to develop parks, walkways, and other facilities around the lake exclusively for the recreation, health, safety and welfare of the lot owners of [REDACTED] Subdivision.

The lot owners, their families and their guests are licensed for the use and privileges of the lake known as [REDACTED] and all common facilities of the subdivision. The general public is not allowed.

Section 501(c)(4) of the code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	6-21-91	6/21/91	6/21/91	6-21-91			

Revenue Ruling 74-99, 1974-1 C.B. 131, holds that a homeowners association, to qualify for exemption under Section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof, (2) it must not conduct activities directed to the exterior maintenance of private residences and (3) the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public.

Based on the foregoing, we have concluded that your organization is operated primarily for the private benefit of your members and any benefits to the community are not sufficient to meet the requirement of the regulation that an organization be operated primarily for the common good and general welfare of the people of the community. Accordingly, we hold that you are not exempt from Federal income tax as a social welfare organization under Section 501(c)(4) of the Code and are required to file Federal income tax returns annually.

A homeowners association that is not exempt under Section 501(c)(4) and that is either a condominium management association or a residential real estate management association generally may elect, under the provisions of Section 528, to receive certain tax benefits that, in effect, permit the exclusion of its exempt function income from its gross income. The election is made each year by filing Form 1120-H. For more information, see Publication 588 Tax Information for Homeowners Associations.


If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

  
District Director

Enclosures:

Publication 892

Form 6018